Spotlight by CeFEO

Should young international firms expand widely—or stay closer to home?

Regional focus beats global spread for born-global firm survival in early years

PANKAJ C. PATEL · GIUSEPPE CRIACO · LUCIA NALDI

Published on May 11, 2018

Born-global firms—ventures that internationalize rapidly from inception—have attracted enormous scholarly attention. But most of the research asks a narrow question: how far and how fast should they expand? This study reframes the question. Instead of asking whether born-globals should go broad (many countries) or deep (few countries, high commitment), it asks what determines the **scope** of early internationalization and whether expanding too broadly, too soon, actually helps or hurts.

Using a longitudinal dataset of **680 Swedish born-global firms** tracked from founding through their early international years, the authors examine how the scope of internationalization—the number and diversity of foreign markets entered—affects subsequent performance. The study distinguishes between two dimensions of scope: **breadth** (number of countries) and **depth** (concentration of sales in fewer markets).

WHAT WE STUDIED

The sample was drawn from Swedish register data, identifying firms that met the born-global criteria: international sales within three years of founding, with foreign revenue exceeding 25% of total sales. The longitudinal design tracked these firms over their first several years of international activity, measuring both the scope of their market portfolio and their subsequent survival and growth.

The theoretical framework integrates **international entrepreneurship theory** with **resource-based reasoning**. The central tension is between the opportunity-seeking logic of born-globals (which pushes toward broad market entry) and the resource constraints of young firms (which favor concentration). The study tests whether the relationship between scope and performance is linear or whether there is an optimal range—a point beyond which further expansion becomes counterproductive.

KEY INSIGHTS

Broader scope is not always better

The study finds an inverted-U relationship between internationalization scope and firm performance. Up to a point, expanding into more markets improves performance by diversifying revenue, building learning capacity, and accessing new opportunities. Beyond that point, however, the costs of coordination, adaptation, and resource dispersion begin to outweigh the benefits. Born-globals that expand too broadly, too quickly, spread themselves thin—and the data shows it in lower survival rates and weaker growth.

Resource constraints are the binding mechanism

Young firms have limited managerial attention, financial resources, and organizational capacity. Each new market requires adaptation—regulatory compliance, cultural learning, relationship building, logistics setup. When the number of markets exceeds what the firm can effectively manage, quality of market engagement drops. The firm becomes present in many countries but effective in few. This is the resource-based explanation for the inverted-U: the marginal cost of the next market entry rises while the marginal benefit falls.

Market concentration has its own risks

The flip side is also true. Born-globals that concentrate too heavily in one or two markets face vulnerability to market-specific shocks—regulatory changes, economic downturns, or competitive disruption in a single country can threaten the entire firm. Some degree of

market diversification provides insurance. The optimal strategy is moderate scope: enough markets to diversify risk and build learning, but not so many that resources are spread beyond the firm's capacity to manage them.

The optimal scope depends on the firm's resource base

Firms with stronger resource endowments—more experienced management teams, better access to financing, stronger network positions—can sustain broader scope without performance degradation. The inverted-U shifts to the right for better-resourced firms. The practical implication is that the "right" number of markets is not universal. It depends on what the firm can actually support. Ambition without capacity is the formula for overextension.

TAKEAWAYS

Match international ambition to organizational capacity

The most common mistake among born-globals is equating international ambition with international breadth. Entering many markets simultaneously feels like progress, but if the firm cannot engage effectively in each one, the expansion dilutes rather than strengthens the business. Leaders should assess their firm's capacity for market engagement—managerial bandwidth, financial reserves, local knowledge—before committing to the next market entry.

Sequence markets rather than flooding them

The data supports a staged approach: enter a manageable number of markets first, build operational competence and revenue stability, then expand further as capacity grows. This is not a call for conservatism—born-globals should internationalize early and ambitiously—but for discipline in how that ambition is deployed.

Use market exits strategically

If scope has already exceeded capacity, selective market exit is not a sign of failure. It is a resource reallocation decision. Withdrawing from underperforming or resource-draining markets to concentrate on higher-potential ones can improve overall international performance.

IMPACT

This study makes a clear empirical contribution by demonstrating that the scope-performance relationship in born-globals is non-linear. The inverted-U finding challenges the implicit assumption in much of the international entrepreneurship literature that more internationalization is always better. For practitioners, the message is that international expansion requires the same strategic discipline as any other resource allocation decision: the question is not whether to internationalize, but how much, how fast, and with what resources. For scholars, the study provides a template for testing curvilinear relationships in internationalization research—a methodological advance over the linear models that dominate the field.

RECOMMENDATIONS

1. **Conduct a market portfolio review.** Assess the performance contribution and resource demands of each international market. Identify which markets are net contributors and which are draining capacity.
2. **Set explicit scope targets.** Define the number of markets the firm can effectively serve given current resources, and resist the temptation to exceed that number until capacity grows.
3. **Build resource capacity before expanding scope.** Invest in management depth, operational systems, and financial reserves before adding new markets. Expansion should be driven by readiness, not ambition alone.

Spotlight by CeFEO, *Should young international firms expand widely—or stay closer to home?* Regional focus beats global spread for born-global firm survival in early years. Downloaded on 15 October 2026 from https://spotlight.cefeo.se

CEFEO AUTHORS

Lucia Naldi

Professor

Jönköping International Business School

lucia.naldi@ju.se

PUBLISHED IN

Patel, P. C., Criaco, G., & Naldi, L. (2018). Geographic diversification and the survival of born-globals. Journal of Management, 44(5), 2008–2036.

https://doi.org/10.1177/0149206316635251

Spotlight is an online magazine that translates research from the Centre for Family Entrepreneurship and Ownership (CeFEO) at Jönköping International Business School, Jönköping University, into accessible insights for family business owners, practitioners, and policymakers.

Spotlight is supported by the WIFU Foundation. This partnership advances dialogue and education in responsible family entrepreneurship and ownership.

JÖNKÖPING UNIVERSITY
Jönköping International Business School

CeFEO
Centre for Family Entrepreneurship and Ownership

WIFU FOUNDATION